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Attwood, Thomas

The currency

Birmingham

1843

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7.—If Mr. Locke had been alive now, he who so well describes the miseries, disorders, and dangers which attend the simple states of society, even in the contraction of the civil state, would have witnessed the condition of millions of the people, and the change which misery, despair, and hoarded injuries have occasioned in their minds and feelings, he would certainly have shrunk with horror from attempts, persevered in for thirty years, to convert a *fictitious law into a reality*, and to repay in standard gold, increased

lured by life. The disease is "under consumption," it lacks backs without the money in circulation wherewith to purchase clothing; and hungry mouths without the money wherewithal to purchase wherewith to purchase food. In short, it is starvation in disguise, and the Government is attempting to remedy it by a return to the social body by a "return to the virtue and prudence of our ancestors," or in other words by diminishing the consumption of commodities, and the employment of labour still further, would but aggravate the general sufferer and increase the general danger. If the Government should itself attempt to act upon this principle, by reducing the intensity of the national debt, and the pay of the army and the navy, and the salaries of the public expenditure, to the level which existed in the days of the first test, with the wisdom of his arguments, as applicable to the present, the wisdom, would be brought suddenly to a fearful test; and it will not however be much longer possible for us to avoid it, we persist in enforcing the present standard of value. It is

to—That the present standard of value has, by the progress of things, become more fiction of the law no observing man can reasonably doubt. It is true to the eye, but it is false to the heart. So long as any man in one thousand seeks to realize his claims upon industry and capital, the standard gold of his time may be secure; but the very moment when a considerable portion of the community seeks such realization, it becomes a dream. And even this limited appearance of convertibility only preserved by subjecting the people to a state of pressure and suffering unknown to their ancestors, and perhaps never witnessed before. It is this state of pressure and suffering which has now enabled the Bank of England to collect ten millions sterling in bullion. If the pressure should be continued for a moment, it must again urge the necessity of borrowing from the Bank of France. And yet the Government itself yet owes

the Bank of England, in various shapes, a greater sum of money than probably exists in England in standard gold. If the Crown of England were put up for sale by auction to-morrow, with all its might, and glorious, and unheated appendages, it is exceedingly probable that it would not produce, in standard gold, one single year's interest of the national debt. And yet England is prodigiously rich—by far the richest empire in the world. If the industry of her people were set free from the thralldom of the present standard, and the pressure of the national debt for the employment of capital, and the necessary reward of industry, were thus insured, the operations of the nation would become a mere trifle; comparatively speaking, it would be like a feather on the back of a giant. At present it is like a millstone round the nation's neck. The pressure of the present metallic standard literally strangles industry on the one side, and doubles its burdens on the other.

20.—It does not necessarily follow, that in substituting a Government non-convertible paper currency for the existing Government coins, it would therefore be necessary to have recourse to "ideal units." The Governments of Prussia, Austria, and Russia, have made use of paper money, very analogous in character, ever since the late war; but I am not aware that they have ever had recourse to "ideal units," nor indeed can I deprecate of their respective Governments have ever carried the level which had been adopted during the exigencies of the late war. In Russia for instance, the paper pound sterling had fallen to about five shillings in metallic money during the late war; but the Russian Government has found no difficulty in preserving its paper money, at about the same level of depreciation during the last twenty-seven years. In each of those countries the Government paper roubles or paper florins have been pre-empted during the war. Their respective populations have suffered but little from "fluctuations," and less from the want of profits, and of employment and wages; and what little they have suffered has been mainly occasioned by "fluctuations" in the currency of England, which the late Mr. Rothschild foretold in 1870, "would affect the remotest corners of the earth." In those countries, it is true, the Governments are arbitrary; but they have been just and paternal in their conduct towards their people; and their people have consequently been prosperous, grateful, and contented. In England the Government is indeed *united*, but its "tender mercies" towards the people have been "crushed." To those countries, Englishmen, with their skill, and experience, and invincible industry, and energy, are rapidly emigrating. The situation of England now, indeed, very closely resembles that of Italy in the latter days of the Roman Empire. "Multitudes of Roman citizens" (says Salviaun anno 366) forsook the borders of their country, and took refuge among the barbarous hordes which beset the empire; preferring rather, under a species of slavery, to live free men, than under a species of liberty to be slaves." *Mittunt enim, sub specie captivitatis sive liberi, quam sub specie libertatis, esse captivos.*

21.—But if Austria, Russia, and Prussia, with one-tenth part of the burdens and necessities of England, and in a comparatively simple state of society, should have found it just and necessary to adopt non-convertible paper money, or at least paper money *virtually non-convertible*; and if these nations should have found "ideal units" necessary, but should yet have been able to preserve the metallic values of their paper currencies at nearly the same level as existed thirty years ago, what possible injury, and what possible danger can arise from England's following their example? It may not be just or safe to issue such Government paper money in England in such limited quantities only as would keep down the price of standard gold at 31.7s. 10d. per ounce; but time, experience, and observation would quickly prove what level of the prices of gold was consistent with the national welfare, and such level of the prices of gold, what ever it might be, might be justly and safely adopted and maintained by the Government, until possibly some great circumstances like the late war, or some more deep and obscure circumstances, affecting the supply and demand of gold through-out the world, might possibly render it necessary, as in all other values of the circulating system still further. But in making these observations, I do not mean to recommend an *ad libitum* depreciation of money, which would be neither just, safe, nor beneficial; I merely mean to recommend such a just, equitable, and efficient adjustment of the currency as is now demanded by the necessities of the nation, and is alike required for the common safety and advantage of all classes of the community.

22.—Certainly it would be proper to entrust the administration and regulation of the vast machinery here contemplated to the Treasury or the Exchequer, or to some board of control accountable to the Crown and to Parliament. But under such regulation there could be no difficulty in substantiating a Government non-convertible paper currency, not subject to injurious "fluctuations," and perfectly safe and efficient to restore and protect the rights of industry, without the possibility of endangering or seriously injuring any other interest of the country.

23.—In recommending however a Government non-convertible paper currency, I must suit and applicable to the existing state of society in England, as more easily regulated and less subject to fluctuations and changes than any metallic standard can possibly be; yet I am fully aware that under a just and practicable metallic standard, the security, prosperity, and contentment of all classes might yet be restored and maintained. In the former case all the foreign and domestic circumstances and changes which must always in some degree affect the supply and demand of bullion, are met in raising or lowering the prices of bullion in the markets. But in the latter case such changes in the supply and demand of bullion are made to act in producing much greater changes in the means and gratifications of the people. Within the last twelve months seven or eight tariffs have been adopted by foreign nations, all calculated, and probably intended, to check the importation of British manufactures into their respective countries, and to encourage the importation of British gold. No prudent statesman can possibly overlook foreign

circumstances of this kind, when deciding upon a just, safe, and judicious system of Currency in England. It is estimated that the New American Tariff, which imposes an additional duty of nearly fifty per cent. upon British manufactures, will draw from England three millions sterling of our present bullion money within the next six months! If this three millions were drawn merely amount to nothing; but when considered as being drawn from the very basis of our circulating system, if such basis is to be maintained in its present state, the withdrawal of such three millions sterling is certainly calculated to effect injury to England of twenty times the amount. Undoubtedly a non-convertible currency is less liable to be affected by foreign circumstances and changes than any metallic currency can possibly be; but a metallic currency, established upon a sufficiently broad and extensive basis, is yet competent to protect the rights and interests of society. Under a just and efficient metallic standard no "fluctuations" of any magnitude could ever occur, because the price of gold being raised in the same degree with "remunerating prices" generally, no large or injurious export of gold, followed up by a consequent contraction of the paper currency, could possibly take place at one period, and no large importation of gold, followed up by a consequent expansion of the paper currency, could possibly take place at another period. The power of the law would not be brought into action to destroy "remunerating prices" at one time, nor would the influence of the Government be necessary to restore them at another.

24.—Under our present system we take a narrow basis for a prodigious superstructure. We compose that basis of a material not produced in our own country, and not subject to our control, but liable to be affected in its supply and demand, and exchangeable value, by foreign powers, loans, tariffs, circumstances, and caprices. At the slightest reduction of this basis the vast superstructure trembles, shrinks, and contracts itself in a much greater degree. No permanent "remunerating prices," and no solid prosperity, or even safety, can exist in England, until this frail and uncertain basis is either wholly removed, or enlarged and supported, and brought into conformity with the prodigious masses of monetary obligations which it has to support. For any great measure of this nature, the present would appear to be a most favorable period. The extreme sufferings of the people justify and require it; and the eleven millions of bullion now in the Bank of England would enable it to be rightly estimated by the world, as a matter of prudence and of high policy, and not of poverty and necessity.

25.—Many nations seem now to be acting upon the Chinese policy of demanding bullion in exchange for their exports. It is certainly not improbable that a perseverance in our present standard of value, in conjunction with our immense monetary obligations, may some time render necessary the adoption of a similar policy in England. At present we seem to be acting upon a directly opposite policy. In seeking to substantiate a heavy bullion currency, we pass laws having a tendency to increase the importation of foreign produce and to promote the exportation of bullion in payment for it. The American Government, in seeking the very same object, pass laws having a tendency to diminish the importation of foreign produce and to compel an importation of bullion in payment for their exports. There appears a strange inconsistency in this. We shall shortly see what time will develop. The late Mr. Huskisson informed his constituents at Liverpool, that it was never the intention of under any large importation of foreign grain. Now under the bill of 1859, the importation of foreign produce is in our hands, and the exportation of bullion on the other, are certainly calculated to reduce, or perhaps nearly annihilate, what is called rent in England. It is possible therefore that Sir Robert Peel, in his free trade measures, may be acting upon a profound policy calculated to bring the owners of land to unite with the owners of labour, and the industrial classes generally, in enabling him to rectify the greatest error that was ever committed in the history of England. In this case, he will find no difficulty in conducting the Government; and he will be entitled to the eternal gratitude of his country.

26.—It cannot be denied that an extreme jealousy and alarm has been propagated in many quarters respecting the injury and danger which arise from what are called "excessive issues of paper money." Many persons, like the late Mr. Cobdett, have even gone so far as to contend that the "fluctuations" of the last thirty years, and all the miseries and dangers attending them, have been owing to such "excessive issues of paper money;" whilst the real fact is as notorious as the sun at mid-day, that it is only these very issues of paper money which have occasioned the temporary periods of prosperity, or rather relaxation of distress, which the nation has sometimes experienced during those years, and which have indeed prevented the pressure of the metallic standard, in conjunction with existing monetary obligations, from literally crushing society into the very dust! Money, whether of paper or of gold, having the power of the law to support it, is literally vital in all the multitudinous uses of society in England. *Barter and truck* are forbidden by law; the existence of small notes, tokens, and other small acknowledgments of debt, transferable among individuals at each other's option, is also forbidden by law. Money now furnishes almost the only means of employment for labour, the only means of discharging debts, the only means of purchasing and consuming commodities—in fact, the only means of gratifying the wants and necessities of the people. It alone supports and maintains all the great processes of production, distribution, and consumption; it feeds the hungry and clothes the naked, and breaks open prison doors, and saves families from ruin; and yet the late Mr. Cobdett and many others, *themselves victims to the deficiency of money*, have always been expressing a *hydrophobic horror* of its excess! I cannot but be of opinion that money, whether of paper or of gold, can never be said to be in excess until the general demand for labour in a nation becomes permanently greater than its supply. I think also, that whether gold money, or paper money, or a mixed character of money is adopted, the first and most important duty for the Legislature to attend to, is to take care that an ample demand for labour is restored and maintained throughout the country. Without this there can be no justice, no pros-

perity, no contentment, and no safety for society in England. It is the deficiency of money, and not its excess, which ought most to be guarded against, which produces want of employment, poverty, misery, and discontent in nations, and which, if properly investigated, would probably be found to have been at the root of, or at least mainly instrumental in producing all the greatest revolutions recorded in the history of mankind.

27.—With regard to the issue and circulation of cash notes or acknowledgments of debt, whether great or small, and issued at the mutual option of individuals, these would of course be payable in coins or in Government notes; and it is certainly worthy of reflection, whether it is just or prudent to allow the existence of monetary debts and obligations in the nation, and at the same time to place difficulties in the way of their discharge, or in the way of their exchange in the markets for each other? I should much doubt whether it is just or prudent for individuals, and then to deny to individuals the right of giving and receiving *written acknowledgments* of such debts, whether great or small; and the right also of transferring such acknowledgments to each other at each other's option? In a country like England, where everything is in an extremely artificial state, where the subdivisions of labour and the manipulations of industry are wonderful and complicated, and where all those wonderful manipulations and complications are mainly conducted, completed, and carried into the use of society through the agency of monetary debts, the policy of forbidding the issue and circulation of written acknowledgments of debt, whether great or small, among individuals at each other's option, appears exceedingly doubtful indeed. Suppose a hundred individuals to be possessed of a small stock of commodities, suppose each of them to have contracted a small debt with another of them, the whole of them may suffer embarrassment for the want of a medium of exchange through which such debts may be discharged or exchanged for each other. The very moment any one person gives to another a written acknowledgment of debt, it circulates instantly from hand to hand, relieving all from embarrassment, until perhaps the hundredth person repays with it a small debt which he owes to the first person who issues it. It is not easy to discover any thing injurious or unhealthy in such an operation as this. In the *Clearing House* of London about twelve hundred millions sterling of acknowledgments of debt are annually exchanged for each other, almost without the agency of money, after having each of them performed its great duties in discharging debts and purchasing commodities, and gratifying the wants and necessities of the people in all parts of the country. No one would think of destroying this prodigious system which has grown up with our growth, and is now woven with the very nature of our society. Why should not the issue of small acknowledgments of debt be equally salutary and useful? I have known an instance in which three individuals had placed each other in the prison of a Court of Requests for debts due to each other, and under ten shillings each. If any one of those individuals had given his *written acknowledgment* of debt to the other, that instrument would have worked its own operation, and the whole of the three individuals would have been instantly released from embarrassment *without the necessity of meeting in a prison*.

28.—The labourer's anxieties, and difficulties which the Right Honourable Baronet has to endure, and, I hope, to overcome, are certainly immense, and such as require the warm sympathy and support of the country. Fortunately for him the period of his difficulties is short. He must either change his policy or he must retire. If the country should be suffered to continue in its present state for only three months longer, it is exceedingly probable that the *null tax* will be *erected* out of his hands. In the present distressed state of agriculture and of trade, both the county members and the borough members will co-operate in this, and thus the falling revenue will sustain an additional loss of five millions per annum. The Minister will then be driven upon an increased *Property Tax*. But here again both the *landed interest* and the *moneyed interest* will be combined against him. Universal distress, a falling revenue, dangers latent and apparent crowding around him. No hope to cheer him. I cannot therefore perceive how the Right Honourable Baronet can possibly hold the helm of public affairs much longer, without relieving the national distress, and increasing the national revenue, by the adoption of either a non-convertible metallic standard of value, or of a non-convertible paper currency. In either of these cases, it would be advisable, in the first place, to have recourse to a temporary Order in Council to restrict and protect the Bank of England.

The course before us would then be safe and clear. But a measure of this kind requires extreme caution and discretion. Mr. Pitt thought the danger so imminent in 1797, that he literally passed the order in council to restrict the Bank of England on a Sunday.

29.—It is perhaps proper to make one other remark, which has not often been noticed among public men, but which is calculated to give some satisfaction to both the landed and the manufacturing classes. A reduction of the present standard of value of gold, to whatever extent effect, would act instantly, *pro tanto*, as a premium or bounty upon the exportation of *British manufactures*; and at the same time, as a tax, or duty, *pro tanto*, upon the importation of *all foreign produce into England*; until the prices of property and labour generally in England became raised equally above their present ruinous and destructive level.

In the present state of monetary obligations in England, it is only this elevation in the prices of property and labour, effected through an action upon the currency, which can set free the great processes of production and consumption throughout the country, which can effect a just and equitable distribution of the values of society among the people, which can restore the reward of industry, and the beneficial employment of labour among the productive classes, and, at the same time, give equal justice, protection, and security to the monetary classes of the community.

THOMAS ATTWOOD.

Birmingham, January 23, 1843.

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